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Central Eurasia
SUPPLEMENT
Economic Review

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Russia International Affairs

*Russia Accused of 'Capitulating' to IMF

954E0864B Moscow NEZAVISIMAYA GAZETA in Russian 14 Apr 95 p 2

[Article by Vladimir Sanko under the rubric "Opinion": "The Government of Russia Publicly Acknowledged Being Bankrupt—And Morally Capitulated to IMF Specialists"]

[FBIS Translated Text] Anybody who read the "Statement of the Government and the Central Bank of the Russian Federation on 1995 Economic Policy" was undoubtedly puzzled by the title of this document. In form, it is an obligation of the Government and the Central Bank of the Russian Federation to conduct a specific economic policy while being totally accountable to the IMF; but in essence, this is an act of complete and unconditional capitulation on the part of the executive authority with respect to implementing any other approaches that do not fit the IMF's Procrustean bed.

In a solemn atmosphere, in the presence of the president and the IMF executive director, the prime minister and the acting chairman of the Central Bank of Russia signed the aforementioned "Statement...," which includes an appendix, which is kept completely secret from us, but not from the IMF, and which defines Russia's concrete "target indicators and obligations" with respect to fulfilling IMF demands, as well as the Memorandum of Definitions, which includes, in particular, the schedule and scope of accountability of our own government to the fund.

The government is camouflaging its capitulation to the IMF as the third, decisive attempt to see the reforms through to the end, that is, it objectively acknowledges the failure of its policy over the past three years. Meanwhile, there is nothing new in the IMF ultimatum, concurrence with which is certified by the president and the prime minister: The country is simply being returned to January 1992, except with the economy in a worse state. The third attempt, similar to the first one, contains the same liberalization of prices and foreign economic activities, plus unrestrained privatization, and this time not only of enterprises but also of land; the same Adam Smith market self-regulation and complete rejection of state regulation of the economy. We have already been through all this and have not learned anything.

The beginning of reform—January 1992. The triumph of liberalism of "Wild West" times, with monetarists at the helm of government. Wild inflation, which even the reformers did not expect. In March the president reassured the people: "We will see an improvement as early as this fall." Fall passed; the Adam Smith monetarist was removed, and a pragmatic economic manager was appointed prime minister. The blame for the fact that the "reform" did not get underway was, of course, laid at the feet of the Supreme Soviet, with its party-economic nomenklatura, the red-browns, the "scoundrels-lumpens"—which suddenly comprised millions of the most respectable and conscientious working people.

Our reformers did not grasp anything, however, and devoted almost the entire year of 1993 to establishing the dictatorship of democracy, which they did in October 1993.

Now the road was cleared for our radical reformers. Mr. Fedorov put together a budget in full accordance with abstract monetarism, not resisting privatization that bankrupts the treasury and runaway plundering of financial funds of the state and enterprises of any form of ownership.

Despite the departure of the budget's author from the government, in January 1994 a second attempt at "intensifying reform" began. The "intensification" was a real winner. Over the half-year of the country living according to strict monetarist rules, we got another record decline in GDP and industrial production. In June the government went into a state of shock from its own therapy, which allowed the State Duma to adopt the 1994 budget practically without any resistance from the executive authority. The result is well known—a surge in inflation but stabilization in industry. The latter circumstance reanimated the government and, true to itself, it attributed this success to its own wisdom, while writing off the inflation to the parliamentary lobby of red directors and agro-GULAG generals.

If any democratic country found itself in the situation that developed here in the first half of last year, the government would have come in full complement to the State Duma (parliament, congress, and so on) and begged on its knees "for forgiveness and not execution," and to be allowed to resign. But Russia is a special country.

It is useless to count on the Duma—in keeping with the most democratic of all constitutions, it is easier for the president to disband the Duma than to fire a minister. And deputies are human too; they also want to live (well!). Hence, the Duma is playing the game of reform along with the government.

Unable to muster enough courage to confess to the people its impotence in leading the country out of the crisis, the government, however, found it acceptable to do it in front of the "Big Seven"—the IMF. Since all the negotiations were conducted behind closed doors anyway. In forming the 1995 budget, the government was counting solely on IMF loans in the amount of $12.7 billion.

Although the government was fully aware of the terms attached to these loans, this was not reflected in its actions in terms of an intensification of reforms, until the time the agreement with the IMF was signed. Because as late as February the government was still making the final corrections to the list of special exporters, and this year presidential edicts and government decrees granted preferences to more than 40 entrepreneurial entities.

It appears that until the last minute the government blackmailed the IMF with potential suspension of democratic transformations and the threat of the red-browns

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taking power. But the IMF, like everybody else, figured out a long time ago that the Russian democrats are willing to do anything to hold on to power, and therefore did not budge an inch in its demands. As a result, first two well-known decrees came out, which reflected the government's course toward the "intensification of reforms," and then—the "Statement...," which would be demeaning for any normal country and any normal government.

Having signed it, the government practically acknowledged itself as bankrupt, incapable of conducting any sort of independent economic policy. Essentially, the IMF is fulfilling functions analogous to the functions of our chief economist's favorite baby—the Russian Federal Administration on Insolvency (Bankruptcy) Affairs. For all intents and purposes, the IMF has set the government's economic policy for the next three years, which the latter accepted unconditionally, at the same time undertaking the obligation to work under the former's vigilant control. For instance, Article 38 of the "Statement..." says: "The Russian Government and the Bank of Russia will make available to IMF staff the information necessary to monitor the program's implementation in keeping with the established schedules enumerated in the Memorandum of Definitions." It follows from the subsequent text that this control will be carried out continuously.

Even in Soviet times the CPSU Central Committee observed proprieties and published programs a month or two before the plenum or congress for "popular discussion," and these programs were not of such a radical nature. Our democratic government, on the other hand, did not find it necessary to inform of its plans even the State Duma commissions, despite the fact that the IMF economic program indeed affects the fate of the whole country. The people's elected representatives in the parliament, and numerous candidates for president and prime minister, who themselves are "willing to risk" (while keeping an airplane ticket in their pocket) the fate of the country, are remaining silent.

Only the leadership of the Reform fund called everything by its proper name and pointed out that implementing the government program will turn Russia into a "country with a colonial economy." In order for our country to become a raw material appendix of the West, it is enough to fulfill one point of Article 35 of the "Statement...": "By 1 January 1996 export duties will be completely replaced by internal taxation that will take into account the need to preserve adequate investment incentives." Regardless of all our government economists' verbal twists, domestic energy prices will rise to the world level, which unequivocally dooms our entire manufacturing industry and agriculture. Even now, at prices three times lower than the world level, by various estimates 80 percent of enterprises in industry may be put through bankruptcy procedures, and enterprises in the agro-industrial complex had in 1994 an average profit margin of 3 percent before counting in interest on loans (let alone repaying them).

Thus there is no doubt that as a result of the government program under the guardianship of the IMF the country will indeed become a raw material appendix of the EU. Is this where Russia's interests lie?

P.S. Despite, as is clear from the above, my unequivocal rejection of the main principal provisions of the "Statement," its positive character should be noted: For the first time the government outlined in more or less coherent form the "mountain peaks" of problems the representative and executive authorities will have to resolve on the road to building a truly market economy.

The approaches to the resolution of these problems will determine the final result—whether Russia will integrate itself into the world economy as a raw material appendix or as a country with a competitive industry and agriculture.

*Manipulation of Currency Reserves in Overseas Banks Described

954E0864A Moscow ROSSIYSKAYA GAZETA in Russian 18 Apr 95 pp 1-2

[Article by Dmitriy Nulin: "Where is the Russian Dollar?: State Foreign Currency Reserves Flow to Commercial Banks"]

[FBIS Translated Text] The passions that have been aroused around the adoption of the federal budget have gradually subsided. The budget has been put together and approved in final form. But this is only the beginning—now its execution begins, and new passions inevitably will flare up on the coals of old problems, probably one of the most serious of those remaining being the financing of the part of the budget deficit predicated on obtaining the $6.5 billion International Monetary Fund loan.

Nobody argues the importance of this loan, but at the same time a natural question comes up: What is the status of Russia's own foreign currency reserves? How are they being used?

Russia's current foreign currency reserves amount to about $5.6 billion. Of that, $4.9 billion are controlled by the Central Bank of the Russian Federation. Not too many probably know, however, that a considerable part of this amount is kept abroad...

After the disintegration of the USSR, Russia, as its legal successor, inherited five so-called Soviet foreign banks: Mosnarbank (London), Ost-West-Handelsbank (Frankfurt am Maine), Donaybank (Vienna), East-West United Bank (Luxembourg), and Eurobank (Paris). These banks were founded with state capital, and had been set up for the purpose of servicing foreign companies that had contracts with the Union and providing credit for foreign economic associations doing all sorts of things—from importing footwear to selling vodka and building power stations abroad.

These banks conducted all their transactions with the state and state enterprises of the former Union through the USSR Bank for Foreign Economic Activity (VEB), which has not repaid many loans to Soviet foreign banks. As is

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known, the latter was also inherited by Russia in the form of the RF [Russian Federation] Central Bank, together with the internal and foreign debt. The internal debt—the debt to domestic enterprises and organizations—was placed into foreign currency bonds maturing in 2008. The problem of the VEB's debt to former Soviet foreign banks, however, was not resolved. Foreign firms and companies began to worry about the return of the money remaining in their accounts. The anxiety infected governments, and European countries' "central banks" demanded that Russia create additional reserves in its foreign banks as a guarantee of repaying the debt to national firms and companies. Otherwise these banks could be liquidated.

Thus, in the foreign clients—Soviet foreign banks—VEB—Central Bank of the Russian Federation chain, the buck stopped at the latter. The Central Bank transferred part of the foreign currency reserves to its foreign banks—to beef up their reserves and repay the debt. On these banks' balance sheets these receipts are reflected in the "other debt" line. There is nothing strange about this.

Strange things began to happen afterwards...

The lion's share of foreign currency funds—$1.3 billion, to be precise—went to Eurobank. It would be logical to assume that the funds transferred for the purpose of increasing the reserves should be proportional to the debt. But here is the strange part: Mosnarbank, for instance, owed much more to foreign clients than Eurobank, but the bulk of the funds from the foreign currency reserves for some reason went to the latter.

From the standpoint of banking practices there is no terrible problem in this "disproportion." After all, the money went not to some foreign or other private bank but into a Russian state-owned foreign bank. The controlling share of its stock is owned by the Central Bank. And the $1.3 billion, just like the bank's other funds, will be "working" in its turnover and making profit for the Central Bank—that is, for the state—multiplying its capital and thereby supporting the budget. What is confusing is that Eurobank received this huge amount in foreign currency in 1992 in the form of a loan ("participative," "Subordinated"), which, first, is interest-free, and second, does not have a set repayment date.

The result is already more than confusing—it is alarming: As one can see from the bank's report, the enormous interest-free funds transferred to it in some mysterious way have never brought any profit. Eurobank's financial report to stockholders shows a profit for 1993 in the amount of 1.6 million French francs, that is, only about $300,000. And this is after the "infusion," which almost doubled the bank's working capital. Such strange results of banking activities would amaze any reasonably competent financier. On top of that, although the modest profit was confirmed by the bank's advisory board, it was not certified by independent auditors. And if we look into "The Banker's Almanac"—an international reference book which publishes only information certified by independent auditors, it shows that Eurobank made a profit of only 121,000 francs... (The 1994 balance sheet has not yet been published.)

It turns out, however, that there is nothing supermysterious in these strange results. The money received from the motherland makes a U-turn and goes back where it came from. And the most interesting part is that it goes to VEB correspondent accounts. From there, practically without delay, to the Vneshtorgbank [Russian Bank for Foreign Trade], which hands out foreign currency in the form of loans to a small circle of Russian commercial banks. Hands out is the right term, because first, an interest rate of 9-12 percent a year cannot be called anything but preferential; and second, some of the banks that enjoy this most-favored status (and far from all have the opportunity to enjoy it) are far from the top in terms of trustworthiness...

Of course, it is up to the bank to decide whom to provide with credit, how much, at what interest rate, and for how long. But in this case it is the state foreign currency reserves that serve as the source of the credit. And the borrowers get access to these funds in an equally strange way. Let us try to sort it out.

There is apparently nothing illegal in the fact that the money is moved to the Vneshtorgbank without spending much time in VEB accounts. The VEB is paralyzed by debt obligations (it exists because its debt remains and it has to be serviced). Any money that stays in its accounts is immediately attached by foreign creditors; therefore, the money practically passed it in transit. At the same time, the VEB does provide an advantage. One can no longer formally ask the tough questions: At what interest rate are the funds issued? For what term? What is the repayment mechanism? The Vneshtorgbank is indefinitely in bankruptcy.

The next "why" is why the money is moved to the Vneshtorgbank. There is no answer. But on the other hand, had it been transferred to another bank, the same question would be asked: Why this bank rather than some other? This way, if one looks at it from the outside, the VEB and the Vneshtorgbank were traditionally closely linked by the specifics of their activities, and millions move between them in both directions every minute.

Thus, it would make sense to rise now above the particular details and look at the whole chain from the top. The sum of the numerous "why's" boils down to just one question: Why this whole complicated and convoluted financial scheme? After all, Eurobank could easily issue loans to Russian banks on its own. And they would then be selected on the basis of economic justification (a trustworthy bank gets a lower interest rate, a less trustworthy one—a higher rate). Then we would not have to engage in guesswork: If the money is loaned at half-price, how is the second half divided?

Actually, the last two questions are not rhetorical. We come closer to answering them if we recall that the Central

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Bank owns the controlling share of stock of both Russian foreign banks and the VEB and the Vneshtorgbank. The people who are responsible for managing the financial flow of the treasury's money are the leaders of the boards of directors of the aforementioned banks that "channel" the budget money. This leadership has always included and includes many former Central Bank officials. Suffice it to say that among the top officials of these banks is former Central Bank Chairman V. Gerashchenko, who, by the way, in keeping with his current official position (adviser to the Central bank), is authorized to give advice: How, for instance, to increase Russian foreign banks' profits so that the state would not have to pull funds out of the foreign currency reserves to keep the banks afloat but, on the contrary, the banks would replenish the foreign currency reserves. And how they could help pay off the foreign debt and finance the budget deficit with the money they earn.

We had to meet so many humiliating conditions to get this foreign currency loan from the IMF. While the state's own foreign currency was working for who knows who.

Russia National Affairs

*Economic Program to 1997, Yasin on Main Points

954E0869A Moscow KOMMERSANT in Russian No 12, 4 Apr 95 pp 12-17

[Article by Nikita Kirichenko, Vladimir Bessonov, Tatyana Gurova, Aleksandr Ivanter, and Valeriy Fadeyev; followed by interview with Minister of Economics Yevgeniy Yasin by unidentified KOMMERSANT correspondent; place and date not given: "The Last Program of Russian Liberalization. The Next Government Program Will Be Addressed to Large Corporations"]

[FBIS Translated Text] The medium-term (up to 1997) program of the Russian Government, triumphantly adopted at a festive government meeting on 24 February, strange as it may seem, was not surprisingly innovative: The principles proclaimed in it for the formation of a new and effective structure for the economy of Russia based on free flow of capital and all-around support for "conscientious competition" make up the basis of the classical liberal economic concept.

Many governments have turned to this concept in recent economic history. But it is difficult to recall even one precedent in which it was realized in pure form. Thus Franklin Roosevelt when bringing the American economy out of the Great Depression initially intended to strictly limit the rights of large monopolies, but he was forced to turn to them since there were no other market subjects that could overcome the crisis. Later Ludwig Erhardt who, in spite of the economic fashion of his time, proclaimed an adherence to the neo-liberal concept, was forced practically to reject it, restoring Germany's traditional corporativism to its former rights.

The reason for such inconsistency is that market mechanisms refuse to contribute to increasing the effectiveness of the economy in the absence of or with an encroachment on the rights of market subjects, which are actually ready and willing to take on the function of managing the flows of capital and drawing up and implementing economic plans. Competition turned out to be too great a luxury, which during the 20th century only large corporations could allow themselves, by smoothing out the instability inherent in it (competition) with active measures for controlling the market. It is the underestimation of the role of large-scale capital and the overestimation of the role of modern competition, in our view, that is the basic weakness of the government's conceptual position presented in the program. The state, refusing (and quite justifiably) to exercise complete control of economic development, must find the subjects that will take on the functions of management and coordination of the activity of free market forces. In a modern economy, typified, on the one hand, by a concentration of capital and consequently a low degree of mobility, and, on the other, by a need for practically constant renewal on the basis of innovation, only corporative economic structures can effectively fulfill the functions of planning and administration. Since the process of forming centers for the attraction of capital is underway, although slowly, from all appearances it is toward them that the next government program should be directed.

Actually, one is immediately struck by the weakness in the vision of the future when reading the current program. Suffice it to compare the text describing the "stage of stabilization" and the "stage of development." While the "stabilizing" reflections are supported by facts and figures, however debatable they may sometimes be, the description of the future is full of vagueness, contradiction, reservations, traces of internal political struggle, etc.

We shall discuss the most important aspects of the economic policy reflected in the program to one degree or another.

Exchange Rate

Acknowledging the almost continuous growth of the real exchange rate of the ruble throughout the past three years, the authors of the program fear a decline in the ability of Russian goods to compete and a reduction of the positive trade balance. It would seem that a natural way of avoiding such unpleasantness would be to stabilize the real exchange rate (let us note that the monetary authorities are now supporting precisely this strategy). But the logic of the program insofar as it pertains to this problem is based on more complex and, it seems, questionable ideas.

It is assumed that the actual exchange rate of the ruble will continue to grow in the future. As a result of this, domestic prices will continue to come closer to world prices (reformers have always considered this factor to be decisive). But in order not to allow a deterioration of the trade balance, pressure will be exerted on imports "with the help of tariff and nontariff levers." But the growth of tariffs through

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reduction of the effectiveness of imports leads to a reduction of the demand for currency, which pushes the exchange rate of the ruble upwards. The exchange rate changes and soon imports become just as effective as they were before. There arises a need to raise import tariffs again. The possibilities of raising tariffs are extremely limited if only because Russia needs to enter international trade organizations, which dislike high tariffs very much. Consequently, it is more likely that the trade balance will get worse.

Investments

Renewal of the investment process is proclaimed to be the main task after the achievement of financial stability. The program envisions this course of events. We achieve financial stabilization after driving inflation down to 1-2 percent per year by the end of this year. As a result the actual inflation in 1995 will be 60-70 percent, and in the second half of the year—20 percent per annum. In turn, industrial production, encouraged by such stable finances, beginning in 1996 will "steadily stabilize," and the "growth of savings and private investments in the national economy" begun in 1995 will grow by 1997 into a "flow of effective investments."

Well, that is not going to happen, no matter what the government has written. All world experience unequivocally shows that emergence from a crisis obeys quite specific laws: First production begins to be livelier, and only after that, several years later, comes the investment demand. And this is understandable even without logical proof: Where, one asks, will they suddenly get financial resources for investment? Under the conditions of stable noninflationary financing they can be provided only through invigoration of production itself.

We have written about this repeatedly on the pages of KOMMERSANT DAILY. This is shown also by the figures of the IMF, whose memorandums the Russian Government likes so much to endorse in the form of its own statements. Thus, according to IMF figures (average indicators for 17 countries that have conducted a stabilization policy and already achieved success in fighting inflation: Argentina, Bolivia, Chile, Costa Rica, the Dominican Republic, Ecuador, Estonia, Indonesia, Israel, Latvia, Lithuania, Mexico, Nicaragua, Poland, Slovenia, Turkey, and Uruguay), even with a reduction of the inflation rate in the second year of growth of the average per capita GNP (and not stabilization of production as is envisioned here), the volume of gross investments continues to decline and there can be no mention of a reduction of the ratio between investments and GNP.

Therefore even if it succeeds in stabilizing finances, Russia cannot expect invigoration of investment activity not only by the end of this year but, perhaps, even in 1996. Not until 1997, and then with the most favorable conditions, will there be a chance—but by no means a "flow of effective investments" but only a certain increase in capital investments.

There are only two internal sources for accumulation and, hence, investments: money from business (internal funds of banks and long assets, profit and amortization of enterprises) and savings of the population. The program wisely does not take state funds into account: The state has no money for any kind of investment. To be honest, there is no money for the notorious "fifth ruble" either (in addition to the "fourth rubles" of the private investor). Therefore let us note in passing that the idea of the state's purchase of a block of shares from the issuer, even if they have to be bought back subsequently, smacks of a certain strange Manilovism.

One exception to the undisputed conclusion about the state's lack of resources for investment still looms on the horizon: The government is declaring its intention to share with privatized enterprises part of the money earned from their sale. But the scale of this "loosening of the purse strings" will not be very great either (at best—several trillion, see page 34) and will not produce any special change in the climate.

Now about *the funds of the population.* The investment potential of the population does indeed have a certain chance of reacting adequately to the reduction of inflation by the end of the year. But one should hardly place great hopes in it yet—simply because it is still extremely insignificant: According to existing estimates (see FINANSOVYYE IZVESTIYA, No. 21, page XII), in October of last year and amounted to R13-14 trillion. And—according to the results of investigations of the State Committee on the Administration of State Property—most of this potential is aimed not at all at capital investments in production but at housing. And no matter what people sometimes say, housing alone cannot serve as a "locomotive for the economy."

Funds of the enterprises. For several years now the enterprises have been spending only 11-12 percent of their profit on investment. So this year there will be no more than R1 trillion. One would like to believe that upon reaching a stabilized plateau, more profit will be spent on investment, but it is difficult. Stabilization is not manna from heaven and it is achieved at a high price: It must be paid for with a subsequent decline in the profitability of production (because of increased sales restrictions) and a continuation of the payment crisis, and it cannot be ruled out that there will be an additional reduction of production. Consequently the profit actually at the disposal of the enterprises (adjusted for inflation) will even be less.

The situation with amortization is more interesting. It is potentially many times greater—but only potentially: In their desire to compensate for the colossal shortage of working capital the enterprises do not invest in amortization but eat it up. It is no accident that, judging from available information, the enterprises spend no more than 25 percent of the amortization fund on investment, and for 1995 this amounts to R45 trillion.

But to switch amortization to investments would not take much in general—only three conditions. First, by the

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beginning of financial stabilization the majority of amortization must not be spent for the needs of current economic activity. Second, the severe payment crisis must abate in order to actually release amortization for investments. Finally, a third thing would also be desirable—the introduction of a strict mechanism for monitoring the utilization of amortization for its intended purpose.

The program says nothing about how to meet these conditions. But, understandably, it will be extremely difficult to do this—if only because they objectively stand in contradiction to the program's ideology: After all, the stricter the budget restrictions, the greater the temptation to use investment resources for other than their intended purposes—for accumulation and for more insistent needs of survival, that is, simply to spend them to supplement working capital.

Bank credit in our view is the preferable model for investment. And it is the banks that during the course of the reform showed their economic independence, and today only the banking sector has free resources. Although there is not much of this money (according to our estimates no more than R20 trillion can be spent on investments), they could become production capital investments and not be used for housing or working capital. So the banks must also make decisions regarding investments—but the program does not mention the banks when discussing the investment problems. This seems even stranger if one takes into account the fact that this year there were clear signs of a desire on the part of the banking sector to merge with the real sector (see KOMMERSANT DAILY No. 7).

And so, what do have?—we have the investment potential of nonstate economic entities in an amount of no more than R70 trillion. This amounts to 5 percent of the GNP which, of course, is extremely little. For comparison: In those same countries that were investigated by the IMF, under conditions of inflation that is even higher than what is planned in our country, this indicator was three times higher—17-18 percent. Therefore all discussions to the effect that the program is a bridge between the inflationary present and the investment future which (the bridge) will be built this year are cock and bull stories.

What might not be cock and bull stories would be a specific discussion of the mechanisms for stimulating private investments, for this is something the government can do and it does not require an especially large amount of money. But they have not been playing with us here either—they have "fired back" in a quite deliberate way on law and order, leasing, accelerated amortization, mortgage credit, state guarantees, and we have come full circle, yet this is precisely the area that requires a set of extremely concrete measures that reach each potential investor.

Another extremely important element is also lacking in the program—as before, the government is refusing to formulate a structural policy. They want "investments in the most effective productions that produce a rapid return." But nowhere does it say which productions these are. The program is relying on a free flow of capital into the effective sectors. That is no way to achieve balance of the economic structure or, correspondingly, long-term effectiveness of the economy. The more so since the mechanisms for "diversion of capital" (the most important of which is the stock market) are in the embryonic stage. A typical example of the ineffectiveness of the purely market-driven mechanism for determining investment priorities is provided today by the weakening of the international positions of the United States (where, incidentally, the aforementioned mechanisms are extremely well developed). Reaganomics, which was widely touted as the success of namely the liberal path of development, counted on the invisible hand of the market. It actually did manage to achieve rapid growth during the 1980's. But the lack of balance of the economic structure led to the crisis of the 1990's. The decline of the exchange rate of the dollar with respect to the German mark and the Japanese yen that is observed today is a reflection of the deep problems the American economy has encountered.

A Brief Summary

An obvious achievement of the liberalization in Russia was everyone's understanding of the circumstance that the government alone cannot fulfill all the functions for managing the economy. The state should turn over some of these functions, including the adoption of decisions regarding investments, to economic entities. The question (in our opinion, one of the key ones today) of to whom the functions of management and planning should be turned over is not discussed in the program. This is natural, since the dominant approach today relies almost exclusively on self-regulation of the economy. But it is extremely probable that very soon the government will have to define its idea of the desired contours of the investment structure of the market and the mechanisms that will provide for its formation.

Interview with Yevgeniy Yasin

KOMMERSANT discussed the key issues of the government program with the minister of economics.

[KOMMERSANT] Yevgeniy Grigoryevich, the government's new program gives the impression of being a political declaration. Is that really what it was intended to be?

[Yasin] The fact is that this program is not a directive plan. It must determine the strategy. Willy-nilly this strategy is being given a certain verbal expression, but very rarely do they manage to turn it into figures which would reflect not directive instructions but the actual conditions that arise in this specific period in one section or another. Therefore, of course, there are not enough figures there and we would like to have more. But when working out the program with specific ministries and especially with the leading ones such as the Ministry of Finance and the State Committee on Administration of State Property, this did not happen. For instance, we asked the Ministry of Finance to disclose budget projections for 1996-1997. They did give us something: revenues, expenditures, the deficit within a certain

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range, and costs of servicing the debt. They simply would not agree to more because they do not have a sense of these figures yet. Moreover, they say, and in general it is not without justification, that concrete indicators are projections which then must be confirmed in parliament and you cannot simply name them. It turns out that we are more or less making an application, we are determining the overall contours, but more details are not forthcoming.

The same thing is true of the State Committee on the Administration of State Property, to which we sent a request for it to give us indicators on proceeds from privatization during 1996-1997. They mentioned 12-15 trillion. This not very much for the circumstances that will develop. But they were afraid to be more precise. They have already earmarked special marketing research of the Russian securities market and have spent large amounts of money on these investigations.

I have given a couple of examples, but in fact there are many more. Attempts at concretization run up against the actual level of indeterminacy and, under these conditions very frequently we do not manage to remove this indeterminacy. Then, without these specific projections, we end up with something like what you have called a political declaration.

In reality the program is not a political declaration. It is a determination of the direction of our development and the areas of our work. Usually after the adoption of a program it is necessary to develop a plan of actions and it is being developed for the year. And then within the framework of this plan of actions specific measures, concrete mechanisms, etc. are developed.

[KOMMERSANT] Regarding the indeterminacy. After the Second World War many countries had very powerful planning agencies. Not to mention France (they have five-year plans) and Japan (they had seven-year plans), but even Germany had a planning agency. It was probably impossible to have a situation in which the Finance Ministry did not produce its estimates. Because in these countries the planning agencies thoroughly understood not only the strategy but also the details and directions, they determined long-term tasks, short-term... as I understand it, we do not have such an agency.

[Yasin] A question in response: What type of planning do you anticipate?

[KOMMERSANT] To begin with at least a detailed prognosis. Even that would exert a strong influence on the economy.

[Yasin] In principle it would be possible to provide a detailed prognosis. I think the final version of the program will contain such a prognosis. We are working on it now. But how detailed? It will not have the degree of detail with which our five-year plans were developed: so many eggs, so many of this and that... there will be certain reference points regarding the basic kinds of products and a system of accounts for at least a year. But you must keep the following in mind. I would pay less attention to the experience of postwar development in Europe or Japan. For one simple reason. Each age has its own fashion, if you will, including an economic fashion. After the war, including under the influence of the Soviet Union and the supposedly successful five-year planning, this fashion existed in all countries. This was reflected in the measures that were taken by one government or another.

Was the upsurge of the economy in Japan and other countries the result of planning or some other factors? This is a big question. For instance, if we take Japan, during the period up to 1948 they planned in detail and made large investments in the basic branches of production, but they achieved no success. But then, in my view, a large role was played by two other factors. First—the stabilization which was achieved in 1948 or 1949. Then came the Korean War, which influenced the immense number of orders for Japanese industry. I find it difficult to say whether planning really had an influence on Japan's success. The same thing applies to Europe. Additionally, the specifics of their development consists in that they had market economies to which it was possible to apply certain planning instruments. We are dealing with a different type of economy. It was planned and it has colossal disproportions. We have begun a process of structural rearrangement in which it is difficult to feel out the branches and blocks in which we should invest money. Under these conditions in a certain sense it is more difficult for us to be oriented toward those models of indicative planning that were used in France or England.

Nonetheless I am now setting the task of having the Ministry of Economics largely similar to the Ministry of Foreign Trade and Industry in Japan, but on this plane. For they do not order anything, they develop prognoses, they work out certain recommendations, and they are overgrown with various kinds of councils and commissions in which businessmen work, and so forth. Together they work out certain approaches to the development of the national economy. We intend to work in this direction, but we will not draw up another five-year plan.

[KOMMERSANT] Indeed that is what I had in mind. But the process you are discussing is in no way reflected in the program.

[Yasin] This can be done on the basis of the program proposed by the government.

[KOMMERSANT] Almost nothing is said about banks in this program. But who will invest in industry in the national economy? The banks have money.

[Yasin] Banks are mentioned in two places, there is an entire paragraph about banks.

[KOMMERSANT] Yes, but mainly about the stability of the banks and reliable provision for settlements. But nothing is said about investments. Will the banks not be investing? Who does it rely on, the poor population?

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[Yasin] If it relied on the population, it would be relying on the banks at the same time. Because the banks are the agency that will gather the money from the small investors and invest it; they are regarded as an institutional investor.

[KOMMERSANT] Those are two different aspects. For example, today the bank does not have the right to have more than 10 percent of the shares in enterprises. Barriers are always being thrown up, even though the banks try to get around them. Whether or not these barriers will be removed is not clear from the program.

[Yasin] Yes, that is a fundamental question, which actually has not been fully resolved. We have in mind the development of the Russian banking system along the American or European path. When banks are regarded as the main investors, this means that the investment function ends up in a certain contradiction with their authority as enterprises which collect money and take on the risk of conducting the corresponding operations. They guarantee fulfillment of their obligations to the investors. This is why at one time the United States had restrictions on the banks' investment activity. Because investment, as a rule, is a risky operation. Another version is, for instance, the German system where the banks play a more significant role and their rights are not limited at all. Here arises a situation in which everything is drawn to the banking system and other investment institutions just vegetate. In Germany the securities market is poorly developed.

Today we have the possibility of a choice. But to a certain degree the program includes the circumstance that the banks will not be the only point of focus. They will act as equals with other institutional investors which do not necessarily take on risks but merely manage money while the risks are borne by the investors. The final choice, it seems to me, must be made not by the government but by the market subjects themselves. It is impossible to predetermine this. As for those restrictions that exist today, our banks are not investing too much, and therefore these restrictions are still not of decisive significance.

[KOMMERSANT] A question related to market institutions. It is not clear in the program how its authors envision the future structure of markets. The modern economy is so complicated that the state must turn some of the management functions over to somebody. The modern market consists of large corporations, frequently oligopolies, which, having sufficient market power, are able to plan their own activity. They actually assume the management function. At a time of economic recession, when entering a depression, this is not too crucial. When the upturn begins, it is necessary to have coordination and a new quality of market organization. It is now fashionable to speak about financial-industrial groups. But we know how the majority of groups are created. This does not eliminate the problem of the absence of planning subjects in the Russian economy.

[Yasin] In the first place I want to say that the program does contain the corresponding paragraph about financial-industrial groups. It elucidates their influence and the possibility of the necessary support for this area precisely from the standpoint of the concentration of capital. We do not focus too much attention in these forms simply because we have just entered a depression and we still have time to think. In the second place, we have very strong misgivings that financial-industrial groups and other large oligopolisitic associations under the conditions of the monopolized Russian economy, even with an open market, will be not centers of progress but centers of preservation of those structures we have inherited from our Soviet past. It is known that the first such holding companies and the first large financial-industrial groups or their prototypes were constructed on the basis of the former ministries. They were largely called upon to reproduce the old structures under the new conditions. We cannot count on having large corporations of this kind become the centers of progress. On the contrary, we would like to make sure that they do not arise out of old structures but grow naturally through increasing their forces and proving their market power. For all the large Western corporations grew out of small enterprises through merging, by means of acquisition, etc. I assume that this process still lies ahead of us. And it will have to be regulated from the standpoint of monopolies and their influence on the market. But we understand the importance of concentrating capital and, taking into account the fact that we have a predominance of large enterprises in industry which are becoming the center of gravity for capital, these centers absolutely must take form. For instance KamAZ or AvtoVAZ or Uralmash, whether we like it or not, will get on their feet and will become centers for the formation of such corporations.

[KOMMERSANT] Will the government sooner welcome such a process than block it?

[Yasin] We shall see, depending on the circumstances. In the first place with respect to monopolistic conditions, what their behavior will be in the market. In the second place, how close the link will be with exports. Because if you are working on an open market, then the question of monopolization is regarded quite differently. But there will be no confrontation where the government comes out against this. I personally am carefully checking to see which corporations and which financial-industrial groups are beginning to operate well. For example, there is a financial industrial group called Ruskhim whose president is Yermakova, a nice lady in all respects. It seems to me that this is a good example. Some good will come from her.

[KOMMERSANT] The program talks a lot about imports, but contains an adequate and weak description of the problem of exports and does not indicate the export structure toward which we will strive.

[Yasin] This is the situation with exports. With respect to a number of raw material branches there is a fairly strong disparity between domestic and foreign prices. Export duties will be retained there but they will gradually

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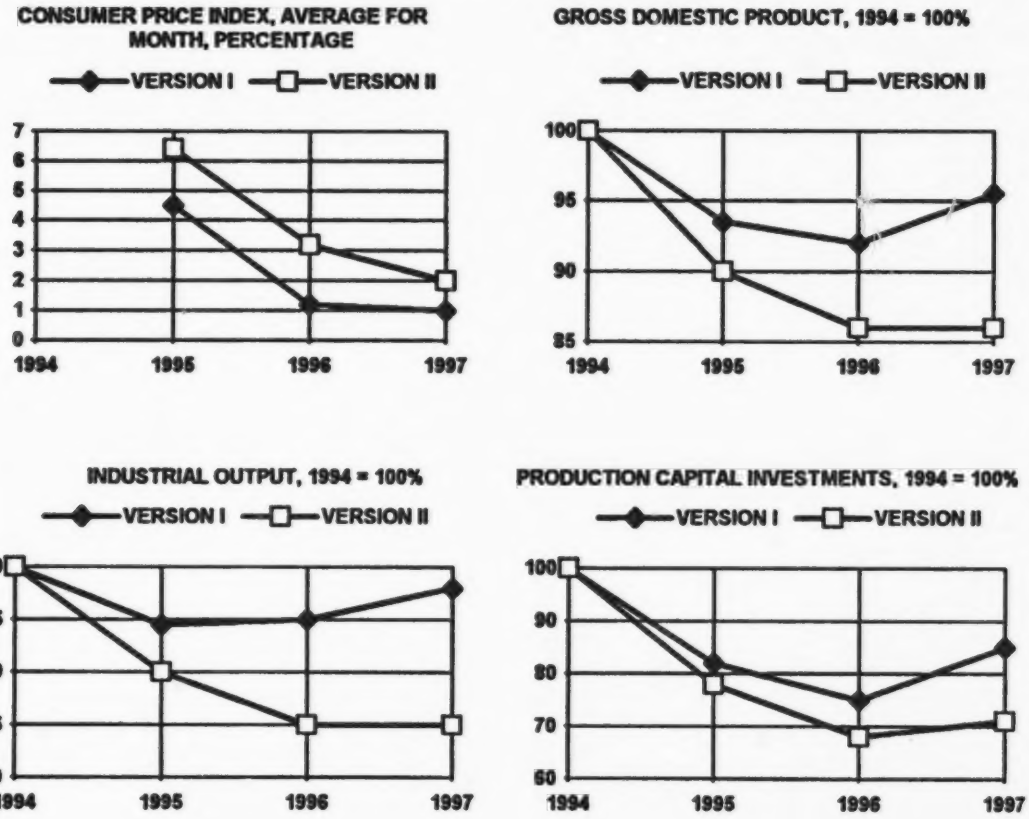
THIS IS HOW THE THREE-YEAR GOVERNMENT PROGRAM PROJECTS THE MAIN ECONOMIC INDICATORS



FIRST VERSION PRESUPPOSES THE REALIZATION OF THE MAIN PROVISIONS OF THE GOVERNMENT PROGRAM. ACCORDING TO THIS VERSION GROWTH OF ALL INDICATORS IS EXPECTED AS EARLY AS 1997. THE SECOND VERSION IS CHARACTERIZED BY HIGHER INFLATION. IN THIS CASE THE GOVERNMENT IS NOT COUNTING ON SHIFTING TO ECONOMIC GROWTH WITHIN THE NEXT THREE YEARS.

decrease as prices equalize and as the situation stabilizes. It says in the program that Russia will support exports. This includes looking for funds for export credits—mainly for machine-technical exports and exports with a high degree of processing. In the branch cross-section it is directly pointed out, say, for machine-building that this sphere will include the aircraft construction industry, space, and nuclear reactors. The same tendencies have been earmarked with respect to a number of other branches. The state will support, although, true, mainly after the three-year period, a change in the structure of Russian exports and a change in the structure of the Russian economy in favor of the processing industry and in favor of high-technology and science-intensive branches.

[KOMMERSANT] To the point of foreign political support?

[Yasin] Yes. As concerns political support, it is absolutely unequivocal, and financial support—this as much as possible. Each time we come up against something we must choose—either short-term projects which will produce points of growth and somehow stir business activity or long-term investments. And a principle is in operation here: maximum effectiveness during the course of this three-year period in order to invigorate the economy. Although we understand the need for certain long-term investments. Unfortunately, the possibilities of these are limited. But we will try to do the necessary minimum.

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As concerns exports, we will increase import duties on goods shipped in. Also, as it were, support.

[KOMMERSANT] It is rather vaguely written: to increase, but with certain reservations.

[Yasin] This is the situation: Since there will be stabilization of the exchange rate of the ruble, it will be necessary to increase import tariffs.

[KOMMERSANT] Perhaps it would be better not to stabilize the exchange rate.

[Yasin] That is a double-edged sword. If you do not stabilize the exchange rate, you have inflationary expectations and instability within the economy.

[KOMMERSANT] There is also another side—the need to constantly raise import duties because the effectiveness of imports will grow in any case—inflation will not remain at zero....

[Yasin] If the level is 15 percent per year, the envisioned import tariff will cover this growth.

[KOMMERSANT] And if it is more? We will not be able to enter international trade organizations with these tariffs.

[Yasin] We will not, but we will fit within the existing restrictions... and we will give a little in some places. Then as soon as the economy becomes stronger, we will begin to reduce them. My viewpoint is this: We must find a balance between foreign competition and protection of our industry and support of it. So there will always be foreign goods on the market.

*DELOVOY MIR Economic Statistics, 27 March

945E0847A Moscow DELOVOY MIR in Russian 5 Apr 95 p 3

[Unattributed report based on material of the Russian State Committee for Statistics: "Socioeconomic Situation as of 27 March"]

[FBIS Translated Text]

Prices for Consumer Goods and Services

The consumer price index in March measured 108.9 percent, including for foodstuffs—108.5 percent, nonfood items—109.1 percent, and for-fee services for the population—110.2 percent.

Over the period 21 to 27 March, the price index for consumer goods and services measured 101.6 percent, including for foodstuffs and nonfood items—101.6 percent, and for-fee services for the population—101.5 percent.

The greatest increase in prices for consumer goods and services over the week was registered in the cities of the Volga and North Caucasus regions (2.6-2.8 percent) and the smallest—in the Northwestern and Volgo-Vyatka regions (0.5-0.6 percent).

Indices of prices for goods and services in the consumer market were as follows:

	in percents				
	Of the preceding registration date			Average daily price rise	
	03/13	03/20	03/27	March	February
Consumer goods and services	101.7	102.5	101.6	0.29	0.37
including:					
foodstuffs	101.7	102.2	101.6	0.27	0.35
nonfood items	101.7	102.9	101.6	0.28	0.32
for-fee services for the population	102.0	102.6	101.5	0.33	0.64

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Since the beginning of the year consumer prices rose by 42 percent, including for foodstuffs—by 45 percent, nonfood items—by 34 percent, and for-fee services for the population—by 62 percent.

Foodstuffs.

During the last week of March of this year food prices rose at a slower rate.

The dynamics of prices by main categories of food products are shown below:

	in percents of the preceding registration date		
	03/13	03/20	03/27
All food products	101.7	102.2	101.6
including:			
meat and meat products	101.7	102.1	101.4
fish and fish products	101.6	102.8	102.0
edible fats	100.1	100.3	100.0
milk and milk products	102.1	102.1	101.3
sugar	101.1	101.4	100.9
bread and bakery products	101.9	102.7	102.4
cereals and macaroni items	101.9	102.3	101.2
fresh produce, including potatoes	102.4	102.8	102.0

Prices rose at a moderate rate with respect to most foodstuffs. At the same time, higher price increases were registered with respect to frozen fish, bread made of highest-grade wheat flour, and citrus fruit (3-4 percent).

Over the month of March, prices for milk and milk products, cheeses, and bread and bakery items increased by 10-11 percent; meat, fish, and products made of them, flour, cereals and macaroni items—by 7-9 percent. Prices for butter remained practically at the February level, and those for eggs fell by 6 percent.

The cost of the consumer basket of 19 basic foodstuffs rose over the week on average by 1.7 percent in Russia as a whole and amounted to R157,300. As before, the cost of the basket was the highest in the cities of the Far East and East Siberia, and the lowest—in the cities of the Volga region. The price differential between the highest and lowest cost of the basket in the cities across Russia measured a factor of 3.6. In Tura, Magadan, Petropavlovsk-Kamchatskiy, and Yuzhno-Sakhalinsk this basket cost R298,000-321,000, calculated on a monthly basis, and in Ulyanovsk, Yelets, and Voronezh—R94,000-113,000. In Moscow the cost of the basket was R192,900, and in St. Petersburg—R170,300.

Nonfood Items

Over the period 21 to 27 March of this year, prices for these items rose at the same rate as those for foodstuffs. More significant price increases (by 2-3 percent) were registered with respect to spring-summer season clothing and footwear, cotton and silk fabrics and items made of them, porcelain and stoneware tableware, medical supplies, and tobacco items. Prices for knitwear and hosiery, furniture, watches and clocks, and electric appliances rose by 1-1.5 percent.

Over the month of March, prices for fabrics, clothing, porcelain and stoneware tableware, school and office supplies, medical supplies, and gasoline rose by 10-14 percent. Prices for furniture, knitwear, television sets and radios, and electric appliances increased by 7-8 percent.

For-Fee Services for the Population

Over the past week of the month rates for most for-fee services changed insignificantly. The cost of household and housing and municipal services went up by 1-2 percent.

Tariffs rose at the greatest rate in March with respect to passenger transportation and housing and municipal services (by 11-12 percent). With respect to some municipal services, rates increased 1.5- to twofold; fees for household and health care services and for attendance at preschool facilities increased by 9-10 percent.

Wholesale Prices

Producer wholesale prices for industrial output in February of this year rose at a slower rate than in January—by 17 percent.

Wholesale prices for producer goods and consumer goods rose at an almost identical rate, which may be seen from the following data for January-February of this year:

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	As a percentage of the preceding month		February 1995 as a percentage of December 1994
	January	February	
Industry	122	117	142
including:			
producer goods	122	117	143
consumer goods	122	116	141

There was a perceptible decline in the monthly rate of price increases in the **fuel industry**—from 35 to 16 percent, including with respect to the oil extraction industry output—from 31 to 21 percent, oil refining—from 36 to 14 percent, and coal—from 56 to 13 percent. In the power generation industry, rates increased in February by 19 percent (in January—by 15 percent).

At the end of February the average price of crude oil was R159,000 per tonne, automotive gasoline—R396,000, boiler oil—R176,000, diesel fuel—R339,000, and coal—R52,000. Electric power rates averaged R78 per kw across all categories of consumers; for industry consumers, the rate was R95, and for agricultural consumers—R65. By February 1995 the ratio of rates charged different categories of consumers had changed. While a year ago the power rates charged industry consumers were 65 percent higher than those charged agricultural consumers, in February of this year they were 46 percent higher.

The ratios between average wholesale prices of raw fuel and petroleum products and the price of crude are characterized by the following data:

	by a factor of			
	1995		For reference: 1994	
	January	February	January	February
Oil	1.00	1.00	1.00	1.00
Steam-generation coal	0.28	0.28	0.26	0.23
Automotive gasoline	2.60	2.49	2.83	2.87
Diesel fuel	2.33	2.13	2.56	2.64
Boiler oil	1.20	1.11	0.86	0.93

Over the past three months, products of petroleum refining became somewhat more expensive relative to oil; the price ratio between oil and steam-generation coal remained practically unchanged.

In **metallurgy,** prices continued to rise at an accelerated rate with respect to some categories of pipe, as well as rolled ferrous and nonferrous metals: Prices for medium- and low-grade steel, wire rod, steel strips, galvanized steel sheets, rolled aluminum, and large-diameter welded pipe increased in February by 23-25 percent. Prices for oil, water, and gas pipe, rolled brass, and lead increased by more than 30 percent.

In the **chemical industry** the rate of prices increases did not rise as compared to January and remained at the level of 20 percent; however, prices for some categories of output rose at a faster rate. Prices for man-made fiber, textile synthetic and man-made thread, and polymer film rose by 24-27 percent, and prices for chemical pesticides and insecticides, potassium fertilizer, and synthetic ammonia increased by 29-32 percent.

In **machine-building,** prices for products of individual sectors continued to increase at different rates. Prices for some varieties of the cable, crane, and instrument-engineering industries output increased over the month by 30-39 percent. The dynamics of prices for the output of tractor and agricultural machine-building was predicated to a large extent on the demand for finished products. Prices for such categories of output as water-sprinkler machines, potato harvesting combines, mechanical grain loaders, balers, and some others remained unchanged because of lack of demand. Prices for spare parts for tractors continued to rise (by 43 percent in February).

In the **construction materials industry**, over the past few months prices have been rising at a relatively slow rate; in February of this year they rose by 12 percent—the smallest increase as compared to other industry sectors. Overall, over two months of 1995 prices in the sector rose by 28 percent as compared to the average 42 percent increase in industry as a whole.

Prices for most varieties of the **light and food processing industry** output rose at a slower rate in February. Prices for linen fabrics increased by 9 percent, and for silk, woolen, and cotton fabrics—by 12-17 percent. Sugar prices went up by 6 percent, vegetable oil—by 9 percent, margarine—by 14 percent, and sausage—by 16 percent.

Prices industrial enterprises paid for material-technical resources necessary in manufacturing activities rose at a slower rate in February of this year as compared to January—by 18 percent (26 percent in January); with respect to basic materials purchased by construction organizations, however, the rate of increase went up to 11 percent (9 percent in January)

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Price dynamics by main categories of resources in the current year are characterized by the following data:

	as a percentage of the preceding month		February 1995 as a percentage of December 1994
	January	February	
Material and technical resources purchased by industry enterprises	126	118	149
including:			
Electric power	121	118	143
Thermal energy	116	119	138
Fuel	128	119	152
Raw materials and components:			
for heavy industry	124	115	143
for the light and food-processing industry	121	115	139

The domestic market remains the main source of resources purchased by industrial enterprises (91 percent of the total volume of purchases). Prices in Russia's domestic market rose over the month on average by 19 percent, and for import purchases—by 13 percent.

The price differential with respect to the same kind of raw and input materials purchased in different economic regions of Russia remains significant, as may be seen from the following data:

	thousands of rubles, per tonne		
	Lowest price	Highest price	For reference: Average price across Russia
Oil	174	355	219
Steam-generation coal	16	195	77
Coking coal	157	298	237
Iron ore	96	189	135
Caustic soda	257	1,129	616
Unifilar cotton thread	5,791	15,125	10,817
Granulated sugar	1,239	5,168	1,881

In the expenditures on purchases of materials and parts, the share of the transportation component remained practically unchanged in February of this year as compared to the preceding month and comprised on average 14 percent in industry.

In agriculture, **prices for animal husbandry products** sold to procurement organizations increased at a slower rate—by 17 percent in February of this year (as compared to 49 percent in January), including those for milk (exclusive of subsidies)—by 25 percent (56 percent), livestock and poultry (in live weight)—by 15 percent (49 percent), and eggs—by 8 percent (41 percent).

The average procurement price for livestock and poultry in February of this year was R2,580,000 per tonne, milk—R705,000, and eggs—R256,000 per 1,000 units.

Since the beginning of the year, procurement prices for animal husbandry products increased by 74 percent, including for livestock and poultry—71 percent, milk—95 percent, and eggs—52 percent.

Prices for capital assets and construction and erection work increased in February as compared to January by 9 and 6 percent, respectively; since the beginning of the year they rose by 28 and 23 percent.

It cost construction organizations 11 percent more in February to pay for main construction materials, parts, and prefabricated components; since the beginning of the year the cost of these materials increased by 21 percent.

Prices rose the most with respect to ceramic brick, lumber, decorative glazed ceramic tile, linoleum, bitumens, mastics, regular cut asbestos-cement sheets, steel bathtubs, ready-mixed mortar, and window glass.

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Indices of purchase prices by individual groups of construction materials over two months of 1995 are characterized by the following data:

	as a percentage of the preceding month		February 1995 as a percentage of December 1994
	January	February	
Ceramic brick	103	116	119
Linoleum	113	110	125
Glazed ceramic tile	114	119	136
Linoleum [as published]	115	117	135
Window glass, 3-4 mm	113	115	130

Changes in the ratio of purchase prices for main construction materials as compared to the price of ceramic brick across Russia are shown below:

	in percents		
	1995		For reference: 1994
	January	February	
Ceramic brick	100	100	100
Corrugated covering and beam-and-slab floor panels	38.7	34.4	38.1
Concrete	52.1	47.7	49.2
Ready-mixed mortar	41.3	37.4	38.7
Cement	42.2	37.0	38.3
Crushed stone	11.0	10.0	11.1
Sand	6.2	5.4	5.8
Custom-made steel components	671.6	610.1	582.6

In February 1995 prices for main categories of construction materials across Russia were as follows: ceramic brick—R299,000 per 1,000 units of standard brick; cement—R111,000 per tonne; ready-mixed concrete—R143,000 per cubic meter; and window glass—R7,000 per square meter.

Freight rates on all types of transportation increased in February 1995 on average by 20 percent (in January—by 11 percent), include by pipeline—by 38 percent (8 percent), rail—by 23 percent (9 percent), automotive—by 11 percent (22 percent), and by air—by 7 percent (7 percent).

Since the beginning of the year the greatest tariff increases were registered in pipeline (by 50 percent) and automotive (by 36 percent) transportation. Rail freight rates, regulated by the state, increased by 34 percent. Air freight rates increased to a lesser extent—by 14 percent.

Migration Processes

The population's migration activities, which had been declining in Russia since the beginning of the 1970's, were on the rise in 1994. Even excluding involuntary migration in connection with the events in the Chechen Republic, the migration traffic (the sum of persons moving in and out within the country) measured 41 persons per 1,000 population, as compared to 39 in 1993. Taking into account external migration, this indicator increased from 49 to 51 persons, while over 1989-1993 it declined annually by six persons on average.

The volume and direction of international migration have changed as well:

	Arrived in Russia		Left Russia		Migration increase (decrease)	
	1994	1994 as a percentage of 1993	1994	1994 as a percentage of 1993	1994	1994 as a percentage of 1993
Total, thousand persons	1,149.7	124.3	339.7	68.6	810.0	430.1
Near abroad countries	1,146.4	124.2	231.8	62.8	914.6	543.6
including:						
Azerbaijan	49.5	90.5	6.1	53.1	43.4	46.2
Armenia	46.5	155.9	1.9	97.6	44.6	28.1
Belarus	43.4	125.1	27.8	60.3	15.6	-12.0
Georgia	66.9	95.6	4.7	94.9	62.2	65.1
Kazakhstan	346.4	177.0	41.9	60.9	304.5	132.6
Kyrgyzstan	66.4	68.7	9.9	98.1	56.5	85.7
Latvia	26.4	101.9	1.4	60.2	25.0	24.3
Lithuania	8.4	43.6	1.5	64.4	6.9	18.0
Moldova	21.4	110.4	9.4	63.1	12.0	5.9
Tajikistan	45.6	66.4	3.7	62.3	41.9	63.5
Turkmenistan	20.2	155.4	2.8	45.7	17.4	5.6
Uzbekistan	146.7	160.9	11.3	55.1	135.4	68.7

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	Arrived in Russia		Left Russia		Migration increase (decrease)	
	1994	1994 as a percentage of 1993	1994	1994 as a percentage of 1993	1994	1994 as a percentage of 1993
Ukraine	247.3	130.6	108.3	63.0	139.0	-1.0
Estonia	11.3	78.5	1.1	66.9	10.2	12.9
Far abroad countries	3.3	137.5	107.9	93.1	-104.6	-113.5

For the first time in the postwar period a positive migration balance was registered in 1994 with all former USSR republics. As compared to 1993, the net balance increased 2.3-fold in the migration exchange with Kazakhstan, twofold with Uzbekistan, and 1.6-fold with Armenia. After a five-year reverse trend, the number of immigrants coming to Russia from Ukraine and Belarus again exceeded the number of Russian citizens emigrating there. The negative balance persisted only in the migration exchange with far abroad countries.

Overall, the net migration increased over the year 1.9-fold—to 810,000 persons. All in all, 1.1 million persons moved to Russia (as compared to 0.7-0.9 million annually over the past 25 years), and 0.3 million left it (as compared to, respectively, 0.7-0.5 million).

Migrants' age is not perceptibly influencing the total age structure of the country's population, although Russians who are leaving are somewhat younger overall than those coming in:

	in percents			
	Arrived in Russia	Left Russia	Migration increase	For reference: Entire population
Share of migrants in age group:				
younger than work-eligible	23.6	22.6	24.0	23.3
work-eligible	65.6	68.3	64.5	56.6
older than work-eligible	10.8	9.1	11.5	20.1
those with higher, incomplete higher, and secondary vocational education	50.1	46.0	51.7	37.0

Most of those who moved to Russia in 1994 are ethnic Russians (727,000, or 63 percent); Ukrainians also account for a considerable share of immigrants (133,000, and 12 percent, respectively), followed by Armenians (63,000, 6 percent) and Tatars (50,000, 4 percent). Among emigrants to the near abroad, Russians comprised 115,000 (35 percent), and to the far abroad—24,000 (7 percent).

The number of involuntary resettlers continues to grow. According to the latest Russian Federal Migration Service [FMS] data there are currently 702,500 officially registered refugees and involuntary resettlers in the country. In 1994 this status was granted to 259,000 persons, of whom 64,000 (25 percent) arrived from Kazakhstan, 60,000 (23 percent) from Uzbekistan, 33,000 (13 percent) from Kyrgyzstan, and 24,000 (10 percent) from Tajikistan. In addition, as of 28 March of this year 299,800 persons forced to leave their former place of residence in connection with the events in the Chechen Republic had applied to the Russian FMS organs.

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Budget Appropriations for Agriculture Detailed

MM1304075895 Moscow ROSSIYSKAYA GAZETA in Russian 7 Apr 95

[Appendix 8 to the federal law "On the Federal Budget for 1995": "Appropriations for Agricultural Production"—from the "Business in Russia" section page 4]

[FBIS Translated Text]

	Billions of rubles
Agricultural production	8,815.5
of which:	
Russian Ministry of Agriculture and Food, total	8,520.8
of which:	
day-to-day upkeep of departmental structures	951.9
targeted subsidies and subventions, total	2,045.9
of which:	
compensation for some of the expenditure on mineral fertilizers	981.1
funding of pedigree stockraising and elite seed growing measures	380.4
compensation for some insurance payments	110.7
subsidies for flax and hemp production	147.8
subsidies to recycling plants	30.0
compensation for some of the expenditure on heating housing stock and greenhouses	100.0
expenditure from targeted fund monies	5,503.0
of which:	
shaping of leasing fund	1,000.0
repayment of allocated funds	(351.0)
allocation of funds on a repayable basis	1,351.0
capital expenditure in agriculture	2,893.0
subsidies for wool	374.0
subsidies for the purchase of mixed feed for stock-raising complexes and poultry farms	700.0
state support for farming [fermerstvo] of which:	314.7
loan interest-rate subsidies	189.0

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